# Public Service Commission of Canada

## 2007-2008 Estimates

### Performance Report

For the period ending
March 31, 2008

The Honourable James Moore, P.C., M.P.
Minister of Canadian Heritage and Official Languages

# Public Service Commission of Canada
# 2007-2008 Departmental Performance Report

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## SECTION I – OVERVIEW

### PRESIDENT'S MESSAGE

I am pleased to present the 2007-2008 Departmental Performance Report (DPR) of the Public Service Commission (PSC) of Canada.

This report provides an overview of the PSC's progress on the objectives specified in our 2007-2008 Report on Plans and Priorities (RPP).

As part of a more streamlined approach, this year's DPR has been drafted to deal primarily with the critical aspects of the PSC's performance over the past year.

More detailed information is available on the PSC's Web site at www.psc-cfp.gc.ca in the publications section.

The PSC is an independent agency reporting to Parliament that is mandated to safeguard the integrity of the public service staffing system and the political neutrality of the public service.

Our strategic outcome is to provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency.

In support of that outcome, the PSC identified the following five priorities:

- to fully implement the *Public Service Employment Act* (PSEA);
- to reinforce the PSC's role in support of Parliament;
- to ensure proper oversight and accountability to Parliament;
- to provide staffing and assessment services that respond to the needs of delegated managers and Canadians; and
- to become a model organization.

The PSC has made considerable progress on all of its priorities. This document highlights our key accomplishments over the last year, as well as some of the work that remains.

This year marks the 100th year anniversary of the PSC. Since 1908, the PSC has been responsible for protecting merit as the basis for staffing and the political impartiality of the federal public service. Upholding this mandate has allowed for the development of a professional and non-partisan public service which has contributed greatly to our democratic system of government.

As an organization, the PSC has undergone significant changes as part of the modernization of human resource management in the federal public service. Our achievements during 2007-2008 demonstrate the capacity of the PSC to respond to key challenges and adapt to changing times while staying true to its mandate. I would like to thank our employees for their dedication in carrying on the important work that has inspired generations of public servants.

Maria Barrados, PhD
President
August 26, 2008

## SUMMARY INFORMATION

### Raison d'être

The PSC is dedicated to building a public service that strives for excellence. We protect merit, non-partisanship, representativeness and the use of both official languages.

We safeguard the integrity of staffing in the public service and the political impartiality of public servants. We develop policies and provide guidance for public service managers and hold them accountable for their staffing decisions. We conduct audits and investigations to confirm the effectiveness of the staffing system and to make improvements. As an independent agency, we report our results to Parliament.

We recruit talented Canadians to the public service, drawn from across the country. We continually renew our recruitment services to meet the needs of a modern and innovative public service.

**Financial resources** ($ thousands)

| 2007-2008 | | |
|---|---|---|
| **Planned Spending** | **Total Budget Authorities*** | **Actual Spending** |
| 103,420 | 111,006 | 102,881 |

*Note: The increase from Planned Spending to Total Budget Authorities is mainly due to the operating budget carry forward and the compensation for salary adjustments.

**Human resources** (Full-Time Equivalents)

| 2007-2008 | | |
|---|---|---|
| **Planned** | **Actual** | **Difference** |
| 1,015 | 993 | 22 |

### Financial performance highlights

The PSC has spent $102,881K of the Total Budget Authorities of $111,006K, resulting in a lapse of $8,125K appearing in the 2007-2008 Public Accounts of Canada.

The lapse is mainly due to:

- additional revenues earned from cost recovery activities as a result of an increase in the authority granted to the PSC in the last quarter of the fiscal year
- contract delays on various projects of which the implementation of PeopleSoft is a major one
- delays in completing the project definition work on a major information technology project-Public Service Staffing Modernization Project
- staffing delays resulting from staff turnover in general and recruitment challenges in the case of the Audit, Evaluation and Studies Branch
- unspent amount in earmarked funds received for translation of appeal cases (no longer a PSC program in the current year)

A total of $4,800K of the lapse was carried forward to 2008-2009.

**PSC's priorities**

Through the accomplishments of each program activity the PSC made significant progress in achieving its strategic outcome and meeting the five priorities identified in the 2007-2008 Report on Plans and Priorities (http://www.tbs-sct.gc.ca/rpp/0708/PSC-CFP/PSC-CFP_e.asp).

| Priorities | Program Activity (Note 1) | Performance Status |
|---|---|---|
| I. Fully implement the new PSEA | Appointment Integrity and Political Neutrality | In Progress |
| II. Reinforce the PSC's role in support of Parliament | All Program Activities | In Progress |
| III. Ensure proper oversight and accountability to Parliament | Oversight of Integrity of Staffing and Political Neutrality | In Progress |
| IV. Provide PSC staffing and assessment services that respond to the needs of delegated managers and Canadians | Staffing Services and Assessment | In Progress |
| V. Become a model organization | All Program Activities | In Progress |

**Note 1:** Information by Program Activity is provided in Section II.

**Summary of results by priority**

**I. Fully implement the *Public Service Employment Act* (PSEA)**
The PSC worked with departments and agencies to more effectively utilize this highly delegated, values-based approach to staffing. Key policies and guidelines were updated to assist hiring managers and human resources practitioners in realizing additional flexibilities available under the legislation. Further support was provided at workshops organized across the country.

**II. Reinforce the PSC's role in support of Parliament**
PSC representatives met with parliamentary committees a number of times to discuss emerging issues and the finding of the Annual Report. Four audit reports and three statistical studies completed during this year.

**III. Ensure proper oversight and accountability to Parliament**
Monitoring initiatives were effective in providing more timely feedback and assessment as well as reducing the reporting burden on delegated organizations by some 60%. The PSC achieved substantial progress in the conduct of PSEA-mandated investigations and of corrective actions. Four audits and three statistical studies were completed during the year. The PSC also enhanced its capacity to conduct audits, studies and investigations. An evaluation framework for the five-year review of the PSEA was also developed.

**IV. Provide staffing and assessment services that respond to the needs of delegated managers and Canadians**
The PSC continued to enhance services including automated staffing systems and volume management tools. In April of 2007, the PSC expanded the requirements of the National Area of Selection (NAOS) for external advertised officer-level jobs from the National Capital Region to all regions of the country. The result was an increase in access for Canadians to federal public service jobs from 19% to approximately 55%. As part of modernizing its second language evaluation, the PSC unveiled a new written expression test this year. Wait times for oral interaction tests were reduced by more than 50%.

**V. Becoming a model organization**
In its effort to become a model organization, the PSC conducted the first in a series of regular electronic surveys for PSC employees. The PSC continued to focus on building capacity in key areas of its mandate and strengthening its management practices.

- More detailed information can be found in the electronic version of this document on the Public Service Commission of Canada's website at www.psc-cfp.gc.ca in the publications section.

## Summary of performance in relation to PSC Strategic Outcome and Program Activities

To help measure the progress and contribution made toward the PSC's strategic outcome, the PSC has identified five medium-term expected results (intermediate outcomes) under each program activity as indicated below. Information on the achievement of each expected result as well as performance analysis by program activity, are outlined in Section II.

**Strategic Outcome:** *To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency.*

| | | | 2007-2008 ($ thousands) | | |
|---|---|---|---|---|---|
| **Program Activity** | **Medium-Term Expected Results** | **Performance Status (Medium-Term Results)** | **Planned Spending** | **Actual Spending** | **Alignment to Government of Canada Outcomes** |
| **Appointment Integrity and Political Neutrality** | Recruitment strategies and staffing practices, consistent with the new PSEA and PSC strategic outcome, are implemented across the public service | Partially Met | 17,051 | 16,993 | |
| **Oversight of Integrity of Staffing and Political Neutrality** | 1. Organizations have implemented PSC monitoring and audit recommendations, and corrective action as a result of investigations, which contributes to safeguarding the integrity of staffing and political neutrality (updated) | Partially Met | 28,860 | 28,490 | ***Government Affairs*** *Safeguarding and fostering the integrity and political neutrality of public servants* |
| | 2. Enhanced risk-based oversight of the integrity of public service staffing | Partially Met | | | |
| **Staffing Services and Assessment** | Staffing and assessment services and products meet the business needs of clients and are consistent with the PSEA and the PSC's strategic outcome | Partially Met | 57,509 | 57,398 | |

## Summary of performance in relation to PSC Strategic Outcome and Program Activities

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## PSC Operating Environment

In 2008, the PSC began celebrating its 100th anniversary as well as its long tradition in protecting merit and non-partisanship in the public service on behalf of Parliament. Merit-based hiring and non-partisanship in the public service are key elements for ensuring a professional and permanent public service that supports a democratic government.

Working with departments and agencies

The *Public Service Employment Act* (PSEA) encourages the PSC to delegate its appointment authorities to deputy heads and, through them, to their managers. The intention is to give managers significant opportunities to hire, manage and lead their employees to meet the needs of Canadians within the legislative framework.

The changes brought about by the PSEA (implemented in December 2005) were broad, affecting the people, policies, processes and accountability requirements. Change of this magnitude takes time. After more than two years of operating under the PSEA, the environment continues to be transitional in nature. Dealing with the high number of staffing transactions and the high mobility rate of employees has been an added challenge in making the transition. The PSC's assessment of staffing in 2007-2008 determined that the federal staffing system can be described as functionally operating under a fully delegated regime within the PSC's accountability framework. The overall picture of performance is assessed as acceptable, with very few examples of excellence. While departments have made improvements to their planning of staffing strategies, further progress is required to achieve the longer-term objectives of PSEA implementation. Further progress is also needed in the areas of departmental accountability systems and human resources support systems, including the support provided by the HR community.

Managers, in particular, are key to making the transition to the new regime; however, they need to be equipped with a range of support that includes training tools, information, and support from their HR advisors. Similar to previous years' assessments, the instability of the HR community – brought about by increased workloads, high rates of mobility and loss of corporate memory – continues to hinder progress in implementing the PSEA.

Over the last year, the PSC worked in collaboration with the Canada Public Service Agency and the Canada School of Public Service to provide training, support and guidance to human resources professionals and managers across the public service on understanding the new requirements under the PSEA. The PSC is also offering discretionary staffing and assessment services to departments and agencies as they take on their new responsibilities under the PSEA.

Overseeing the integrity of the system

At the same time as it works closely with departments and agencies, the PSC must fulfill its responsibilities to Parliament.

The Commission is charged with ensuring that deputy heads exercise their delegated staffing authorities appropriately, and adhere to the values and principles in the new legislation. A variety of accountability mechanisms and oversight tools are in place to accomplish this including audits and investigations. The PSC conducts independent audits, studies and evaluations and reports to

Parliament on the integrity of the appointment process, including the protection of merit and political neutrality. Investigations, which may include early intervention processes, provide oversight of concerns raised about appointments. Investigations are also conducted into allegations of improper political activities of public servants.

When the PSC identifies risks to the appointment system, it recommends changes. It can also sanction organizations, or impose conditions on how they exercise delegated authorities. In exceptional cases, the PSC can withdraw those authorities.

The PSC also monitors whether the overall appointment system is operating effectively, and safeguards the non-partisanship of the public service. It reports annually to Parliament on the integrity of the system, and may make special reports to Parliament on urgent or important matters.

Safeguarding non-partisanship

Protecting a non-partisan public service has been the tradition and mandate of the Commission since its inception in 1908. Under the new PSEA, a strengthened political activities regime has been established to balance the right of public servants to participate in the political process with the need to preserve the impartiality of the public service.

In 2007-2008, the PSC found that there were public servants who remain unaware or unclear about the requirements for political activities and the PSC's role in preserving the political impartiality of the public service. This indicates a need for the PSC to increase its efforts to inform employees of their rights and obligations under the current political activities regime.

A complex environment

Growth of the public service coupled with the cumulative number of retirements over the past 11 years, influenced movement patterns experienced in the public service. The overall indeterminate workforce grew by 36% between March 1999 and March 2008. At the same time, retirements almost quadrupled over that period. As a result, hiring activities continued to increase over this period of time. In 2007-2008, the public service made 21,838 appointments to indeterminate and term positions, up from 17,699 appointments in 2006-2007. Interest in the public service also remained high. In 2007-2008, approximately 1 million applications were received from more than 279,000 individual job seekers in response to more than 5,000 job advertisements posted on the PSC's recruitment Web site (www.jobs.gc.ca),http://jobs-emplois.gc.ca/menu/home_e.htm to general recruitment activities and the PSC's specialized recruitment programs. These trends have also put a greater emphasis on the need for tools and supporting systems, including the Public Service Resourcing System provided by the PSC.

In 2007-2008, the Government placed a priority on renewing the public service. In his Fourteenth Annual Report to the Prime Minister on the Public Service of Canada, the Clerk of the Privy Council set out four priority areas for action: planning, recruitment, employee development, and enabling infrastructure. Specifically, the Clerk set out an objective for departments to hire 3,000 new indeterminate employees. The PSC assisted many departments and agencies in meeting their objectives through the post-secondary recruitment campaign, by

advertising opportunities at university and college campuses providing testing services across the country, and by creating pools of pre-qualified candidates.

Also in 2008, the Second Report of the Prime Minister's Advisory Committee on the Public Service provided recommendations for the governance structure for HR management in the public service. The report reaffirmed the essential role of the PSC in safeguarding merit in appointments and the non-partisan character of the public service. It recommended that the recruitment and related services provided by the PSC be operated on a full cost-recovery basis, with appropriate involvement by deputy ministers in the governance of those services. It concluded that deputy heads should have the prime responsibility and accountability for managing their employees, a conclusion reiterated in the Clerk's Fifteenth Annual Report to the Prime Minister on the Public Service of Canada.

In 2007-2008, the PSC also dealt with its own internal challenges, including building capacities in key areas of its mandate, introducing essential technology, continuously strengthening management practices, engaging employees and ensuring stable funding.

**Key PSC challenges and risks**

The PSC has identified the primary challenges and risks emerging from the complex environment in which it operates and adopted strategies to address them. They are detailed in the 2008-2009 PSC Report on Plans and Priorities (http://www.tbs-sct.gc.ca).

## SECTION II – DETAILED PERFORMANCE BY STRATEGIC OUTCOME AND PROGRAM ACTIVITY

### PSC STRATEGIC OUTCOME

The PSC has one strategic outcome:

*To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency.*

During the past year, the PSC used three program activities to support achievement of the strategic outcome:

- 1.1.0 Appointment Integrity and Political Neutrality
- 1.2.0 Oversight of Integrity of Staffing and Political Neutrality
- 1.3.0 Staffing Services and Assessment

### Performance information

The PSC's annual report http://www.psc-cfp.gc.ca/ presents the results of our oversight of departments' and agencies' staffing activities. It provides an overview of measures and progress towards each element of our strategic outcome: competency, official languages, non-partisanship, representativeness, fairness, access and transparency. The Strategic Outcomes performance measurement framework has been developed based on results outlined in our annual report.

The following table identifies the performance indicators, measurement strategies and targets for reporting on the achievement of the strategic outcome on an annual basis. The achievement of the strategic outcome over time will be measured primarily through longer-term trends identified from the PSC's analysis of annual data, from ongoing audits and studies and from the five-year evaluation of the PSEA. The specific PSC program activities and related results that contribute to the achievement of this strategic outcome can be found in the body of this report.

## PSC Strategic Outcome

***To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency.***

## Performance Indicators

**Overall Assessment:**

**Performance Indicator:**
**Results of oversight activities (monitoring audits, studies, evaluations and investigations)**

**Performance Information:**
The overall picture of performance is assessed as acceptable, with very few examples of excellence. While departments have made improvements to their planning of staffing strategies, further progress is required to achieve the longer-term objectives of the PSEA implementation. Further progress is also needed in the areas of departmental accountability systems and human resources support systems, including the support provided by the HR community.

### Accountability

**Performance Indicators:**
**# of PSC appearances before Parliament**
**# of PSC Reports tabled in Parliament**
**Target: under development**

**Performance Information:**
- PSC appeared before Parliamentary committees 6 times
- PSC tabled 5 reports including the PSC Annual Report

### Representativeness

**Performance Indicator:**
**# of employment equity groups where representation in the public service is below workforce availability (WFA)**
**Target: Zero**

**Performance Information:**
- Measure under review

### Merit/Competency

**Performance Indicator:**
**Posted recruitment qualifications and criteria for positions are bias-free and barrier-free (indicator updated in 2008)**
**Target: under development**

**Performance Information:**
- Nearly 80% of respondents to a PSC 2007/08 survey agreed that posted qualifications and criteria for positions are bias-free and barrier-free

### Merit/Competency

**Performance Indicator:**
**Perception of public service employees about competency of people hired Target: 85%**

**Performance Information: Progress made towards target**
- 76% of respondents to the 2005 PS survey responded that they believe that, in their work unit, people can do the job

### Merit/Official Languages

**Performance Indicator:**
**# of non-compliant cases with respect to official languages requirements Target: Zero**

**Performance Information: Progress made towards target**
- There were 156 non-compliant cases as of March 2008 - this is down from 892 in 2005 and 238 in March 2007

### Fairness

**Performance Indicator:**
**Perception of public service employees about fairness of appointment processes Target: 85%**

**Performance Information: Progress made towards target**
- 70% of respondents to a PSC survey completed in fiscal year 2006-07 and first half of 2007-08 strongly agreed with the statement that "internal appointments are made fairly"

### Non-Partisanship

**Performance Indicators:**
**•Perception of Canadians about non-partisanship of the public service**
**• # of annual cases of political influence on an appointment decision identified by the PSC**
**• # of annual cases of improper political activities by public servants or deputy heads identified by the PSC**
**Target: under development**

**Performance Information:**
- No data available this year on perception of Canadian on non-partisanship in the public service – measure under review
- The PSC continues to find little direct political influence in the staffing system
- 19 investigations found improper political activity by public servants – suggests need for increased communication of requirements to public servants

### Access

**Performance Indicator:**
**% of jobs open to the public having a national area of selection (NAOS)**
**Target: 55% for 2007/08 and to 100% by 2009-2010 (excluding casuals and short terms)**

**Performance information: Progress made towards target**
- For the fiscal year 2007-2008, 2,645 advertisements out of 5,032 (52.6%) were open to the public using a NAOS.

### Transparency

**Performance Indicator:**
**Perception of public service employees about transparency of appointment processes Target: 85%**

**Performance Information: Progress made towards target**
- 70% of appointees who responded to a PSC survey completed in fiscal year 2006-07 and first half of 2007-08 indicated that they viewed appointments made in their work units in an open and transparent way.

## PSC Strategic Outcome

***To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency.***

## Performance Indicators

**Overall Assessment:**

**Performance Indicator:**
**Results of oversight activities (monitoring audits, studies, evaluations and investigations)**

**Performance Information:**
The overall picture of performance is assessed as acceptable, with very few examples of excellence. While departments have made improvements to their planning of staffing strategies, further progress is required to achieve the longer-term objectives of the PSEA implementation. Further progress is also needed in the areas of departmental accountability systems and human resources support systems, including the support provided by the HR community.

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**# of PSC appearances before Parliament**
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**Target: under development**

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### Representativeness

**Performance Indicator:**
**# of employment equity groups where representation in the public service is below workforce availability (WFA)**
**Target: Zero**

**Performance Information:**
- Measure under review

### Merit/Competency

**Performance Indicator:**
**Posted recruitment qualifications and criteria for positions are bias-free and barrier-free (indicator updated in 2008)**
**Target: under development**

**Performance Information:**
- Nearly 80% of respondents to a PSC 2007-08 survey agreed that posted qualifications and criteria for positions are bias-free and barrier-free

### Merit/Competency

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**Perception of public service employees about competency of people hired Target: 85%**

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**• # of annual cases of political influence on an appointment decision identified by the PSC**
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**Target: under development**

**Performance Information:**
- No data available this year on perception of Canadian on non-partisanship in the public service – measure under review
- The PSC continues to find little direct political influence in the staffing system
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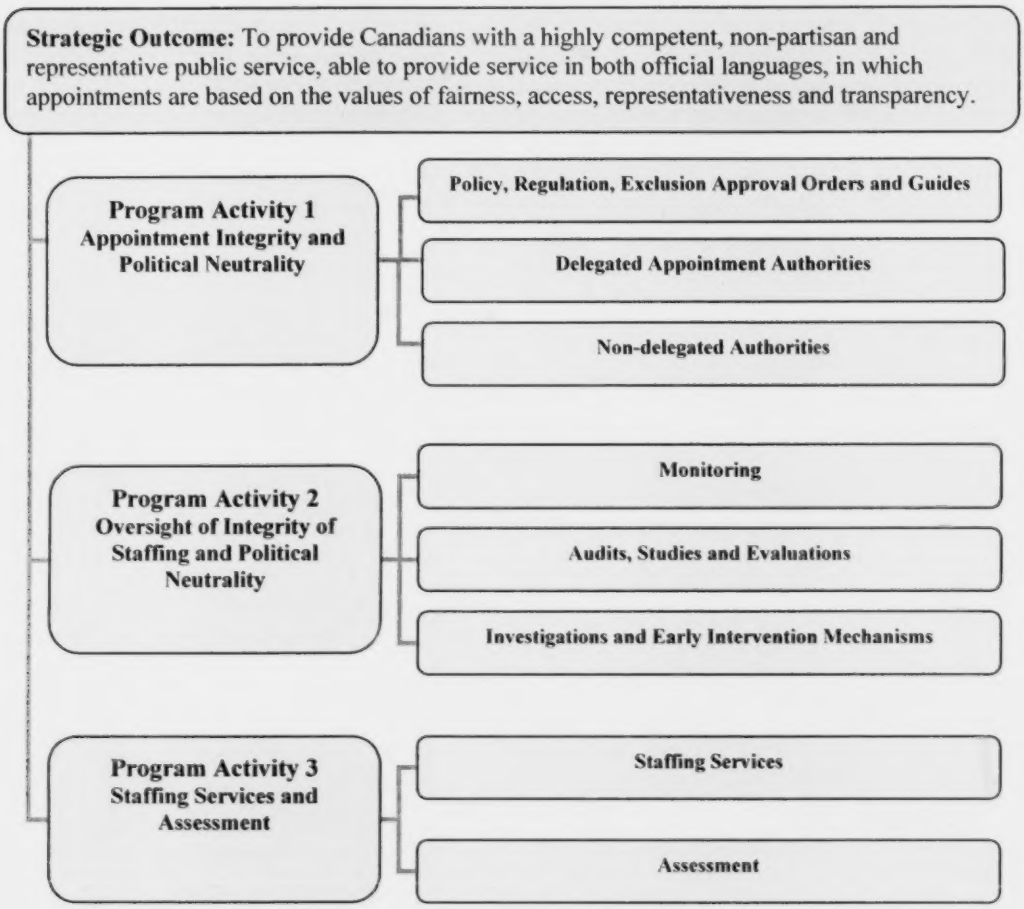
## PSC Program Activities Architecture

The chart below illustrates the PSC's complete framework of program activities and program sub-activities which roll-up and contribute to progress toward the PSC's strategic outcome.

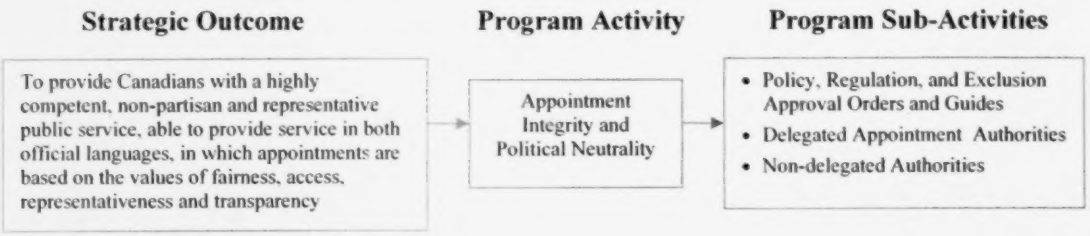
### PSC's Program Activity Architecture


Strategic Outcome: To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency.
Program Activity 1
Appointment Integrity and Political Neutrality
Policy, Regulation, Exclusion Approval Orders and Guides
Delegated Appointment Authorities
Non-delegated Authorities
Program Activity 2
Oversight of Integrity of Staffing and Political Neutrality
Monitoring
Audits, Studies and Evaluations
Investigations and Early Intervention Mechanisms
Program Activity 3
Staffing Services and Assessment
Staffing Services
Assessment

## PROGRAM ACTIVITY 1.1.0 – APPOINTMENT INTEGRITY AND POLITICAL NEUTRALITY

### Program activity description

This program activity develops and maintains a policy and regulatory framework for safeguarding the integrity of public service staffing and ensuring political neutrality. This activity includes establishing policies and standards, providing advice, interpretation and guidance and administering delegated and non-delegated appointment authorities.


Strategic Outcome
Program Activity
Program Sub-Activities
To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency
Appointment Integrity and Political Neutrality
• Policy, Regulation, and Exclusion Approval Orders and Guides
• Delegated Appointment Authorities
• Non-delegated Authorities

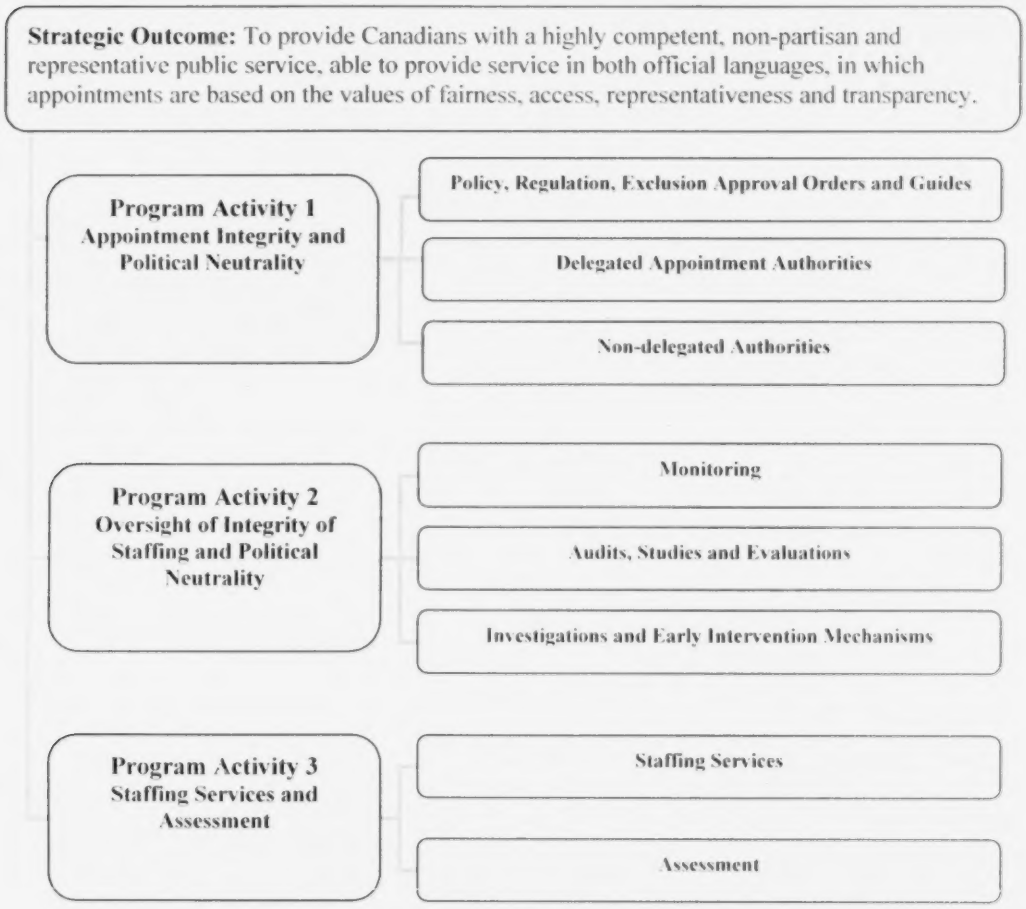
### Performance information

| **Expected result:** *Recruitment strategies and staffing practices, consistent with the new PSEA and PSC strategic outcome, are implemented across the public service* | **Partially Met** |
|---|---|
| **Performance indicator 1** (indicator refined in 2007/2008 to increase measurability)**:** Level of success in implementing recruitment strategies and staffing practices, consistent with the new PSEA and PSC strategic outcome, across the public service | **Target:** Evaluation findings on the implementation of the new PSEA |
| **Performance evidence:** The five-year evaluation of the legislation required by the PSEA (section 136) is in development. However, the National Area of Selection (NAOS) impact assessment showed that greater experience and system readiness were needed for successful expansion to all remaining groups and levels across the country. Therefore, the policy change on area of selection was postponed and the PSC will move forward with full implementation by December 2008, once it can ensure government-wide readiness to meet the increased volume of applications resulting from this expansion. | |
| **Performance indicator 2:** Number of delegation instruments with limitations or conditions imposed by the PSC | **Target :** Zero (two reported in 2006-2007 Annual Report) |
| **Performance evidence:** In 2007-2008, we imposed a delegation condition on one organization (Office of the Correctional Investigator) and carried over the imposed delegation conditions for two other organizations (Commission for Public Complaints against the RCMP and the Canadian Space Agency) which have been in effect since 2005. In the fourth quarter of 2007-2008, we also developed delegation conditions for the RCMP that came into effect in the first quarter of 2008-2009. | |

## PSC Program Activities Architecture

The chart below illustrates the PSC's complete framework of program activities and program sub-activities which roll-up and contribute to progress toward the PSC's strategic outcome.

### PSC's Program Activity Architecture


Strategic Outcome: To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency.
Program Activity 1
Appointment Integrity and Political Neutrality
Policy, Regulation, Exclusion Approval Orders and Guides
Delegated Appointment Authorities
Non-delegated Authorities
Program Activity 2
Oversight of Integrity of Staffing and Political Neutrality
Monitoring
Audits, Studies and Evaluations
Investigations and Early Intervention Mechanisms
Program Activity 3
Staffing Services and Assessment
Staffing Services
Assessment

## Program Activity 1.1.0 – Appointment Integrity and Political Neutrality

### Program activity description

This program activity develops and maintains a policy and regulatory framework for safeguarding the integrity of public service staffing and ensuring political neutrality. This activity includes establishing policies and standards, providing advice, interpretation and guidance and administering delegated and non-delegated appointment authorities.

| Strategic Outcome | Program Activity | Program Sub-Activities |
|---|---|---|
| To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency | Appointment Integrity and Political Neutrality | • Policy, Regulation, and Exclusion Approval Orders and Guides<br>• Delegated Appointment Authorities<br>• Non-delegated Authorities |

### Performance information

**Expected result:** *Recruitment strategies and staffing practices, consistent with the new PSEA and PSC strategic outcome, are implemented across the public service*

**Partially Met**

**Performance indicator 1** (indicator refined in 2007/2008 to increase measurability)**:** Level of success in implementing recruitment strategies and staffing practices, consistent with the new PSEA and PSC strategic outcome, across the public service

**Target:** Evaluation findings on the implementation of the new PSEA

**Performance evidence:** The five-year evaluation of the legislation required by the PSEA (section 136) is in development. However, the National Area of Selection (NAOS) impact assessment showed that greater experience and system readiness were needed for successful expansion to all remaining groups and levels across the country. Therefore, the policy change on area of selection was postponed and the PSC will move forward with full implementation by December 2008, once it can ensure government-wide readiness to meet the increased volume of applications resulting from this expansion.

**Performance indicator 2:** Number of delegation instruments with limitations or conditions imposed by the PSC

**Target :** Zero (two reported in 2006-2007 Annual Report)

**Performance evidence:** In 2007-2008, we imposed a delegation condition on one organization (Office of the Correctional Investigator) and carried over the imposed delegation conditions for two other organizations (Commission for Public Complaints against the RCMP and the Canadian Space Agency) which have been in effect since 2005. In the fourth quarter of 2007-2008, we also developed delegation conditions for the RCMP that came into effect in the first quarter of 2008-2009.

| **Performance indicator 3:** Number of complaints to Public Service Staffing Tribunal (PSST) | **Target:** Under development 2007-2008 was the first full year of PSST decision-making and will serve as a baseline. |
|---|---|
| **Performance evidence:** There were 566 complaints to the PSST. No finding of abuse of authority has been made by the Tribunal this year. Deputy heads reported conducting two investigations concerning internal appointment processes. These investigations resulted in one revocation and one corrective measure. | |

### Related resources

| Resources | Planned Spending | Total Budget Authority | Actual Spending |
|---|---|---|---|
| **Financial ($ thousands)** | 17,051 | 19,684 | 16,993 |
| **FTE** | 156 | N/A | 146 |

### Performance analysis

While progress has been made in the second full year of PSEA implementation, the delegated staffing system and the new political activities regime require that the PSC continue to offer focused support, guidance and effective tools. This will enable organizations to effectively manage their delegated appointment responsibilities and also maintain the political impartiality of the public service.

**Highlight:**
317 information sessions held with 7,689 participants – 93% of participants felt better prepared to exercise flexibilities of the PSEA

The PSC demonstrated continuous leadership in the exercise of delegated appointment authorities through timely and relevant policy, advice and support to the 82 delegated organizations (as of March 31, 2008). In 2007-2008, the PSC offered 317 information sessions to 7,689 participants with the following results:

- 93% of participants indicated that they felt better prepared to exercise the flexibilities of the PSEA; and
- 64% of participants indicated that they felt more comfortable in explaining appointment and/or appointment-related decisions.

In April of 2007, the PSC expanded the requirements of the NAOS for external advertised officer-level jobs from the National Capital Region to all regions of the country. The result was an increase in access for Canadians to federal public service jobs from 19% to approximately 55%. Although the expansion of this requirement to all externally advertised non officer-level jobs was planned for December 2007, impact analysis undertaken by the PSC revealed that the current HR system lacked sufficient recruitment tools to support this initiative. As a result, the expansion of the NAOS was postponed until December 2008.

To facilitate the exchange of information from the PSC to its stakeholders, the PSC collaborated with various management and HR groups, including national and regional councils. The PSC responded to over 9,930 queries (e-mails and calls) in 2007-08 from individuals seeking guidance on a range of PSC and PSEA issues. A snapshot of these queries for 2007-2008 demonstrated that 68% were complex in nature.

**Highlight:**
**PSC responded to over 9,930 queries seeking guidance on PSEA issues**

Although the number of queries has started to decrease, there continues to be a need to respond to queries from both the HR professionals and hiring managers. Based on feedback received from the community, our responses to enquiries were judged to be of high quality. However, evidence also suggests that the PSC needs to better develop means of delivering information sessions that are timely, targeted and make use of technology for delivery.

The PSC also sought feedback to improve elements of the appointment policy framework. Over the reporting period, the PSC used feedback from internal and external stakeholders to gauge the relevance and timeliness of policy information and guidance. The result was the identification of a number of issue and irritants that, once adjusted, will better assist departments in the assessment process.

In 2007-08, the PSC published the following two important guides: the *Guide for Assessing Persons with Disabilities,* which provides practical advice and procedures to follow when accommodating the needs of persons with disabilities in an appointment process; and the *Volume Management Guide,* which provides advice on how to manage the volume of applications in an appointment process. The result of the publishing of these guides is expected to be improved planning of staffing processes and enhance the ability of managers and HR advisors to make choices that respect the values of transparency, access, representativeness and fairness in screening and assessing candidates.

Under the Public Service Official Languages Exclusion Approval Order (PSOLEAO), the PSC monitors appointments of persons who do not meet the linguistic requirements of their positions at the time of their appointment on a non-imperative basis. In 2007-2008, the PSC responded to 693 requests from organizations seeking clarification on use of the PSOLEAO in order to ensure that appointments made on a non-imperative basis respected merit and protected the linguistic duality of the public service. For the first time, the PSC incorporated its reporting to organizations on the use of the PSOLEAO in the Departmental Staffing Accountability Reports data for 2006-2007, thereby reducing repetitive reporting.

The PSC's monitoring of the use of the Priority Information Management System (PIMS) in 2007-2008 indicated an increased use of the priority system, reflective of increased staffing activity across the public service, with clearance requests increasing to approximately 42,000 for the fiscal year. This has led the PSC to implement further refinements to the PIMS, to hasten the priority clearance process and to improve the PSC's related monitoring capacity.

In 2007-2008, the PSC continued to support the implementation of the new political activities regime. Information/training sessions were held for departmental political activities designates

| | |
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and other audiences (e.g. network of values and ethic officers), as well as sessions on political candidacy delivered across Canada in June-July 2007. Although it has been two years since the coming into force of the PSEA, there remains a need to increase awareness about the rights and obligations of public servants engaging in political activities as defined under Part 7 of the PSEA. The table below illustrates the disposition of new candidacy requests submitted by public servants in 2007-2008.

**Status of political requests (April 1, 2007 to March 31, 2008)**

**New candidacy requests received in 2007-2008**

| Level of Election | Permission Granted | Permission Not Granted | Requests received too late to review and render decision | Requests Withdrawn Prior to PSC Review | Requests Pending PSC Review | TOTAL 2007-2008 New Candidacy Requests |
|---|---|---|---|---|---|---|
| **Federal** | 5 | 0 | 0 | 3 | 0 | 8 |
| **Provincial** | 6 | 1 | 0 | 1 | 0 | 8 |
| **Territorial** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Municipal** | 15 | 0 | 5 | 2 | 7 | 29 |
| **TOTAL** | **26** | **1** | **5** | **6** | **7** | **45** |

*Source: PSC Internal Tracking System*

**What's next?**

- Through feedback provided by HR and manager participants at various information sessions, it is clear that HR professionals and hiring managers continue to need support in taking full advantage of the flexibilities provided by the PSEA. The PSC will look at providing information to all stakeholder communities in a timely, targeted, and technologically efficient manner.

- The PSC will continue to seek feedback on the policies and guidance it provides, using various methods, including more formal surveys. It will look to the results of its audits and studies, PSST decisions, impact analysis and the comments of stakeholders in continuously refining its policies and developing new tools and guidance documents that support staffing. It will continue its impact analysis to understand the ongoing effect of a NAOS on appointments to the public service and to implement an action plan to ensure sufficient readiness for the expansion of NAOS in December 2008. This will involve guidance on random selection and other policy issues.

- Collective staffing processes enable managers to use one staffing process to fill several positions within or between organizations. Managers can save time and resources by establishing a pool of candidates from which appointments can be made. The PSC will be

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- Collective staffing processes enable managers to use one staffing process to fill several positions within or between organizations. Managers can save time and resources by establishing a pool of candidates from which appointments can be made. The PSC will be

consulting organizations and adjusting its guidance on informal discussion in the context of collective staffing. It will also work towards drafting an Exclusion Approval Order to reduce the burden of the notification requirements when doing collective staffing. These adjustments to the PSC's policy framework and guidance will support efficient, values-based staffing.

- The risk of non-compliance with the new provisions under Part 7 (Political Activities) of the PSEA is higher when public servants are not aware of their rights and obligations under the political activities regime. Work was initiated in 2007-2008 to revise the approach to monitoring political activities to be more results-based and to focus on risks to political impartiality.

**The following sub-activities contribute to the achievement of the Program Activity 1.1.0:**

- Information, by sub-activity, can be found in the electronic version of this document on the publications section of the PSC's Web site (www.psc-cfp.gc.ca).

Policy, Regulation, and Exclusion Approval Orders, and Guides – provided the PSC with expertise in policy interpretation, application and development;

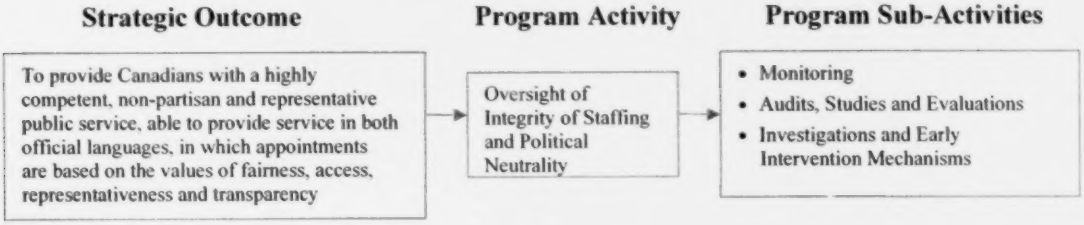
Delegated Appointment Authorities – provided continuous support to delegated organizations and external stakeholders and took actions to deal with deficiencies in delegated organizations; and

Non-delegated Authorities – ensured proper application of the political activities provisions of the PSEA in relation to political candidacy, the PSOLEAO and managed administration of priority entitlements.

## PROGRAM ACTIVITY 1.2.0 – OVERSIGHT OF INTEGRITY OF STAFFING AND POLITICAL NEUTRALITY

### Program activity description

The Oversight of Integrity of Staffing and Political Neutrality activity provides an accountability regime for the implementation of the appointment policy and regulatory framework for safeguarding the integrity of public service staffing and ensuring political neutrality. This activity includes monitoring departments' and agencies' compliance with legislative requirements, conducting audits, studies and evaluations, carrying out investigations and reporting to Parliament on the integrity of public service staffing.


Strategic Outcome
Program Activity
Program Sub-Activities
To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency
Oversight of Integrity of Staffing and Political Neutrality
Monitoring
Audits, Studies and Evaluations
Investigations and Early Intervention Mechanisms

### Performance information

| **Expected result:** *Organizations have implemented PSC monitoring and audit recommendations, and corrective action as a result of investigations, which contributes to safeguarding the integrity of staffing and political neutrality* (expected result and performance indicator refined to increase measurability) | **Partially Met** |
|---|---|
| **Performance indicator:** Percentage of PSC audit recommendations and corrective action implemented by organizations | **Target:** 100% |
| **Performance evidence:** As part of its annual monitoring activities, the PSC monitors the implementation of audit recommendations. In some cases, PSC audits lead to conditions being placed on departments' staffing authorities. The PSC pays particular attention to progress made by these organizations, which presently include the Canadian Space Agency, the Office of the Correctional Investigator and the Commission for Public Complaints Against the RCMP. When the PSC determines that sufficient progress has been made, it conducts follow-up audits with the objective of removing imposed conditions. Follow-up audits for these organizations will be initiated in the upcoming fiscal years in accordance with the PSC audit policies. As part of its annual monitoring activities, the PSC also monitors the implementation of corrective actions as a result of investigations. In 2007-2008, the PSC determined that the organizations implemented corrective actions in 2 of the 3 founded investigations under Section 66 (external appointments). In the third case, the organization's deadline to implement the corrective action has not yet expired. Organizations have implemented corrective actions in 3 founded investigations under Section 69 (fraud). | |

| **Expected result:** *Enhanced risk-based oversight of the integrity of public service staffing* | **Partially Met** |
|---|---|
| **Performance indicator 1:** Percentage of coverage of oversight activities (monitoring, audits, studies and evaluations) | **Target:** 100% |

| | |
|---|---|
| **Performance evidence:** In 2007-2008, the PSC assessed staffing activities of 75 departments and agencies and provided feedback to them. In addition to its monitoring activities, the PSC tabled four audits and released two studies in the fall of 2007 with the Annual Report and one additional study was released prior to that, in July 2007. Also during this period, significant progress was made on other reports, including one audit (RCMP) that was tabled in May 2008 and others scheduled for publication in the fall of 2008. In 2007-2008, the PSC established and communicated its Audit, Evaluation and Studies Plan for 2008-2009 and 2009-2010 and an evaluation framework to support the five-year review of the PSEA. The plans are the result of extensive consultations with stakeholders, both internal and external to the PSC. The Audit Plan is based on a rigorous risk analysis and is part of our efforts to audit departments and agencies on a five- to seven- year cycle. | |
| **Performance indicator 2:** Number of public service organizations with delegated staffing authorities whose staffing performance did not meet all essential staffing performance identified in the Staffing Management Accountability Framework | **Target:** Zero |
| **Performance evidence:** Our audit of the Office of the Correctional Investigator tabled in Parliament in 2007 resulted in the PSC placing a condition on the organization to provide quarterly reporting on their staffing activities. The Audit of the Canadian Forces Grievance Board resulted in recommendations to improve their departmental staffing and the Audit of the Movement of Public Servants between the Federal Public Service and Ministers' Offices resulted in a recommendation to the Treasury Board Secretariat to develop and recommend a Treasury Board policy governing the movement of public servants to improve its monitoring of this movement. As part of its monitoring activities for 2006-2007, the PSC made recommendations in feedback letters to 58 of the 72 organizations evaluated that had opportunities for improvement in their performance. In the current Departmental Staffing Accountability Report (DSAR) cycle, the PSC is reviewing the performance of 82 organizations for 2007-2008, including progress on the recommendations that 58 of them received during last year's cycle. Current results indicate that 46 out of the 58 organizations having received recommendations (79%) have actively addressed all recommendations. This year's feedback to departments was sent on or prior to July 31 st. | |

### Related resources

| Resources | Planned Spending | Total Budget Authority | Actual Spending |
|---|---|---|---|
| **Financial ($ thousands)** | 28,860 | 32,488 | 28,490 |
| **FTE** | 264 | N/A | 240 |

### Performance analysis

Oversight activities hold deputy heads accountable for the exercise of their delegated appointment authorities and allow the PSC to fulfill its reporting obligations to Parliament. This program activity has made significant progress in ensuring that organizations implement the system infrastructure. Also, it has helped strengthen both respect for the appointment values of the PSEA and the integrity of the appointment process.

PSC monitoring activities provided feedback to federal organizations to identify areas for improvement, as well as risks and public service–wide issues. In 2007-2008, the PSC updated its departmental annual monitoring framework – Staffing Management Accountability Framework

## Program Activity 1.2.0 – Oversight of Integrity of Staffing and Political Neutrality

### Program activity description

The Oversight of Integrity of Staffing and Political Neutrality activity provides an accountability regime for the implementation of the appointment policy and regulatory framework for safeguarding the integrity of public service staffing and ensuring political neutrality. This activity includes monitoring departments' and agencies' compliance with legislative requirements, conducting audits, studies and evaluations, carrying out investigations and reporting to Parliament on the integrity of public service staffing.

| Strategic Outcome | Program Activity | Program Sub-Activities |
|---|---|---|
| To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency | Oversight of Integrity of Staffing and Political Neutrality | • Monitoring<br>• Audits, Studies and Evaluations<br>• Investigations and Early Intervention Mechanisms |

### Performance information

| | |
|---|---|
| **Expected result:** *Organizations have implemented PSC monitoring and audit recommendations, and corrective action as a result of investigations, which contributes to safeguarding the integrity of staffing and political neutrality* (expected result and performance indicator refined to increase measurability) | **Partially Met** |
| **Performance indicator:** Percentage of PSC audit recommendations and corrective action implemented by organizations | **Target:** 100% |

**Performance evidence:** As part of its annual monitoring activities, the PSC monitors the implementation of audit recommendations. In some cases, PSC audits lead to conditions being placed on departments' staffing authorities. The PSC pays particular attention to progress made by these organizations, which presently include the Canadian Space Agency, the Office of the Correctional Investigator and the Commission for Public Complaints Against the RCMP. When the PSC determines that sufficient progress has been made, it conducts follow-up audits with the objective of removing imposed conditions. Follow-up audits for these organizations will be initiated in the upcoming fiscal years in accordance with the PSC audit policies. As part of its annual monitoring activities, the PSC also monitors the implementation of corrective actions as a result of investigations. In 2007-2008, the PSC determined that the organizations implemented corrective actions in 2 of the 3 founded investigations under Section 66 (external appointments). In the third case, the organization's deadline to implement the corrective action has not yet expired. Organizations have implemented corrective actions in 3 founded investigations under Section 69 (fraud).

| | |
|---|---|
| **Expected result:** *Enhanced risk-based oversight of the integrity of public service staffing* | **Partially Met** |
| **Performance indicator 1:** Percentage of coverage of oversight activities (monitoring, audits, studies and evaluations) | **Target:** 100% |

**Performance evidence:** In 2007-2008, the PSC assessed staffing activities of 75 departments and agencies and provided feedback to them. In addition to its monitoring activities, the PSC tabled four audits and released two studies in the fall of 2007 with the Annual Report and one additional study was released prior to that, in July 2007. Also during this period, significant progress was made on other reports, including one audit (RCMP) that was tabled in May 2008 and others scheduled for publication in the fall of 2008. In 2007-2008, the PSC established and communicated its Audit, Evaluation and Studies Plan for 2008-2009 and 2009-2010 and an evaluation framework to support the five-year review of the PSEA. The plans are the result of extensive consultations with stakeholders, both internal and external to the PSC. The Audit Plan is based on a rigorous risk analysis and is part of our efforts to audit departments and agencies on a five- to seven- year cycle.

**Performance indicator 2:** Number of public service organizations with delegated staffing authorities whose staffing performance did not meet all essential staffing performance identified in the Staffing Management Accountability Framework

**Target:** Zero

**Performance evidence:** Our audit of the Office of the Correctional Investigator tabled in Parliament in 2007 resulted in the PSC placing a condition on the organization to provide quarterly reporting on their staffing activities. The Audit of the Canadian Forces Grievance Board resulted in recommendations to improve their departmental staffing and the Audit of the Movement of Public Servants between the Federal Public Service and Ministers' Offices resulted in a recommendation to the Treasury Board Secretariat to develop and recommend a Treasury Board policy governing the movement of public servants to improve its monitoring of this movement. As part of its monitoring activities for 2006-2007, the PSC made recommendations in feedback letters to 58 of the 72 organizations evaluated that had opportunities for improvement in their performance. In the current Departmental Staffing Accountability Report (DSAR) cycle, the PSC is reviewing the performance of 82 organizations for 2007-2008, including progress on the recommendations that 58 of them received during last year's cycle. Current results indicate that 46 out of the 58 organizations having received recommendations (79%) have actively addressed all recommendations. This year's feedback to departments was sent on or prior to July 31 st.

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PSC monitoring activities provided feedback to federal organizations to identify areas for improvement, as well as risks and public service–wide issues. In 2007-2008, the PSC updated its departmental annual monitoring framework – Staffing Management Accountability Framework

(SMAF) and DSAR to put more focus on short-term outcomes and staffing values as well as key change areas needed for long-term success of the PSEA. The result of these changes will enable the PSC to provide more timely feedback to delegated organizations and a more rigorous assessment of the overall integrity of the staffing system to Parliament. These changes have also resulted in the reduction of the reporting burden on departments by about 60%.

**Highlight:**
Reporting requirements to the PSC reduced by about 60% through revisions to the SMAF

In addition, an important component of helping to ensure the integrity of the public service appointment process is the conduct of independent audits, studies and evaluations by the PSC. Four audit reports meeting professional standards were published in 2007-2008. These reports covered a diverse range of issues and risks to the staffing system including audits of staffing activities of three small entities and one government-wide audit. Key results stemming from PSC's audits included the PSC removing conditions on the delegation of staffing authorities it had previously imposed. Another audit (Audit of the Office of the Correctional Investigator) resulted in recommendations for improvement and in the PSC placing a condition on the organization to provide quarterly reporting on its staffing activities.

The Audit of the Movement of Public Servants between the Federal Public Service and Ministers' Offices examined staffing actions spread among 24 organizations and covered the period from 1990 to 2006. The audit was done because of parliamentary interest in this area. As a result of the audit, PSC recommended to the Treasury Board of Canada Secretariat that they develop and recommend to Treasury Board, a policy governing the movement of public servants between the public service and ministers' offices to ensure that these moves are undertaken in a fair and transparent manner, upholding the principle of political impartiality, and that they are effectively monitored.

Three statistical studies were published in 2007-2008; two of these covered issues of staffing from the temporary workforce and the other dealt with acting appointments and subsequent promotions. These studies provide benchmark information and insights about potential opportunities for improvements that can be used in modernizing staffing in the public service.

The PSC established and communicated a risk-based Audit, Evaluation and Studies Plan for 2008-2009 and 2009-2010 for some 80 entities that fall under the purview of the PSEA, for which delegation agreements have been signed. The plan was the result of extensive consultations with stakeholders, both internal and external to the PSC.

**Highlight:**
Risk-based Audit, Evaluation and Studies Plan for some 80 entities for 2008-2009 and 2009-2010 has been established and communicated

To protect the political impartiality of the public service, the PSC conducts ongoing monitoring activities in this area. In 2007-2008, the PSC provided feedback to deputy heads on departmental performance regarding their efforts to safeguard political impartiality. Overall, organizations met the PSC's expectations on the elements of governance, communications and control. An exercise to validate the PSC's approach to monitoring political activities indicated general agreement, but there was concern expressed over the reporting burden for organizations. Work was initiated in 2007-2008 to revise the approach to monitoring political activities to be more results-based and

to focus on risks to political impartiality of the public service when employees seek nomination as candidates.

In 2007-2008, the investigations and early resolution mechanisms at the PSC focused on the various types of investigations mandated by the new PSEA. The 169 investigations completed during the fiscal year helped to ensure the integrity of the staffing system as well as the political impartiality of the public service.

Overall, in this fiscal year, the PSC received a total of 299 investigations requests and opened 141 files for investigation compared to 86 in 2006-2007 which represents a 64% increase. The PSC started investigations into 8 appointment processes where fraud may have occurred compared to 1 in 2005-2006 and 1 in 2006-2007.

**Highlight:**
**The PSC started investigations into 8 appointment processes where fraud may have occurred compared to 1 in 2005-2006 and 1 in 2006-2007**

Of the 4 investigations on fraud that were completed, the PSC found 3 cases of fraud and in 1 case the allegation was unfounded. The PSC completed 17 investigations into allegations of improper political activity by public servants. In 16 instances employees were found to have engaged in improper political activities contrary to the PSEA. In 1 instance the allegation of improper political activity was unfounded.

It is also worth noting that early intervention (EI) was offered in 126 cases and in 78 files the parties agreed to participate in this process. To safeguard the integrity of staffing and the political impartiality of the public service, EI is not offered in cases of fraud and improper political activities. EI was successful in resolving 62 of the 78 files. This resulted in savings in time and resources as EI files are completed significantly faster than full investigation files and require fewer resources from areas such as legal services. Files completed through EI also produce longer-term benefits to all involved as the process has a mediation aspect, it is confidential, and it educates participants about the PSEA.

**What's next?**

- The issue of departments and agencies having more concrete annual plans and strategies that have measurable targets is central to the success of the strengthened accountability requirements under the new PSEA regime. The PSC will place increased emphasis on concrete measurable staffing plans and targets, and conduct a follow-up regarding success in implementing these plans.
- The PSC will continue to strengthen its capacity to undertake audits, evaluations and studies.
- The PSC will release service standards for investigation time lines, build its procedures to ensure consistency in approach, examine its reporting to ensure that it informs management decision-making, and broaden its outreach and awareness activities. These efforts will better align with PSC's accountability to Parliament for safeguarding the integrity of appointments and in overseeing the political impartiality of the federal public service under the new PSEA.

(SMAF) and DSAR to put more focus on short-term outcomes and staffing values as well as key change areas needed for long-term success of the PSEA. The result of these changes will enable the PSC to provide more timely feedback to delegated organizations and a more rigorous assessment of the overall integrity of the staffing system to Parliament. These changes have also resulted in the reduction of the reporting burden on departments by about 60%.

**Highlight:**
Reporting requirements to the PSC reduced by about 60% through revisions to the SMAF

In addition, an important component of helping to ensure the integrity of the public service appointment process is the conduct of independent audits, studies and evaluations by the PSC. Four audit reports meeting professional standards were published in 2007-2008. These reports covered a diverse range of issues and risks to the staffing system including audits of staffing activities of three small entities and one government-wide audit. Key results stemming from PSC's audits included the PSC removing conditions on the delegation of staffing authorities it had previously imposed. Another audit (Audit of the Office of the Correctional Investigator) resulted in recommendations for improvement and in the PSC placing a condition on the organization to provide quarterly reporting on its staffing activities.

The Audit of the Movement of Public Servants between the Federal Public Service and Ministers' Offices examined staffing actions spread among 24 organizations and covered the period from 1990 to 2006. The audit was done because of parliamentary interest in this area. As a result of the audit, PSC recommended to the Treasury Board of Canada Secretariat that they develop and recommend to Treasury Board, a policy governing the movement of public servants between the public service and ministers' offices to ensure that these moves are undertaken in a fair and transparent manner, upholding the principle of political impartiality, and that they are effectively monitored.

Three statistical studies were published in 2007-2008: two of these covered issues of staffing from the temporary workforce and the other dealt with acting appointments and subsequent promotions. These studies provide benchmark information and insights about potential opportunities for improvements that can be used in modernizing staffing in the public service.

The PSC established and communicated a risk-based Audit, Evaluation and Studies Plan for 2008-2009 and 2009-2010 for some 80 entities that fall under the purview of the PSEA, for which delegation agreements have been signed. The plan was the result of extensive consultations with stakeholders, both internal and external to the PSC.

**Highlight:**
Risk-based Audit, Evaluation and Studies Plan for some 80 entities for 2008-2009 and 2009-2010 has been established and communicated

To protect the political impartiality of the public service, the PSC conducts ongoing monitoring activities in this area. In 2007-2008, the PSC provided feedback to deputy heads on departmental performance regarding their efforts to safeguard political impartiality. Overall, organizations met the PSC's expectations on the elements of governance, communications and control. An exercise to validate the PSC's approach to monitoring political activities indicated general agreement, but there was concern expressed over the reporting burden for organizations. Work was initiated in 2007-2008 to revise the approach to monitoring political activities to be more results-based and

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**The following sub-activities contribute to the achievement of the Program Activity 1.2.0:**

- Information, by sub-activity, can be found in the electronic version of this document in the publications section of the PSC's Web site (www.psc-cfp.gc.ca).

Monitoring – helped ensure departmental and agency compliance with legislative requirements of the PSEA in the context of delegated authorities.

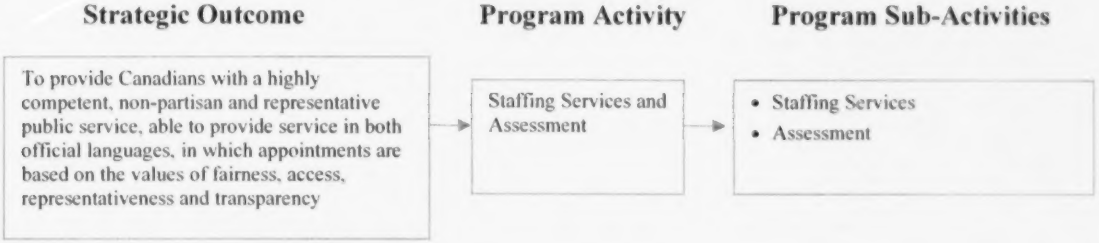
Audits, Studies and Evaluations – conducted independent audits, studies and evaluations reported to Parliament on the integrity of the appointment process, including the protection of merit and political neutrality.

Investigations and Early Intervention Mechanisms – provided oversight of concerns raised about appointments. Investigations are also conducted into allegations of improper political activities of public servants.

## PROGRAM ACTIVITY 1.3.0 – STAFFING SERVICES AND ASSESSMENT

### Program activity description

The Staffing Services and Assessment activity develops and maintains systems that link Canadians and public servants seeking employment opportunities in the federal public service with hiring departments and agencies. It provides assessment-related products and services in the form of research and development, consultation, assessment operations and counselling for use in recruitment, selection and development throughout the federal public service. This activity also includes delivering staffing services, programs and products to departments and agencies, to Canadians and public servants, through client service units located across Canada.


Strategic Outcome
Program Activity
Program Sub-Activities
To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency
Staffing Services and Assessment
• Staffing Services
• Assessment

### Performance information

| **Expected result:** *Staffing and assessment services and products meet the business needs of clients and are consistent with the new PSEA and the PSC's strategic outcome* | **Partially Met** |
|---|---|
| **Performance indicator 1** (indicator and target refined to increase measurability): Level of client satisfaction with PSC staffing and assessment services and products | **Target:** Satisfactory consultation and survey results |
| **Performance evidence:** Consultations conducted during 2007-08, in the context of the transformation of our services, indicated that most of the PSC's current and potential clients are sufficiently satisfied with PSC offering and that most of them would come to us for staffing and assessment services even in a cost-recovery environment. | |
| **Performance indicator 2** (indicator and target refined to increase measurability): Degree of consistency of staffing and assessment services and products with the new PSEA and the PSC's strategic outcome | **Target:** Satisfactory audit and study findings |
| **Performance evidence:** The internal evaluation of the Recruitment of Policy Leaders Program concluded that the program is consistent with the HR renewal priorities of the Government of Canada. The internal audit for the Public Service Resourcing System found that it will be a key enabler in the overall HR management initiative. It is a key output of the Public Service Staffing Modernization Project (PSSMP). The audit found that, while the project management and financial controls have been considerably strengthened, more work in this area will still be required to fully implement improvements recommended in the PSSMP Readiness Review, which was performed by an external contractor. | |

## Program Activity 1.3.0 – Staffing Services and Assessment

### Program activity description

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| Strategic Outcome | Program Activity | Program Sub-Activities |
|---|---|---|
| To provide Canadians with a highly competent, non-partisan and representative public service, able to provide service in both official languages, in which appointments are based on the values of fairness, access, representativeness and transparency | Staffing Services and Assessment | • Staffing Services<br>• Assessment |

### Performance information

**Expected result:** *Staffing and assessment services and products meet the business needs of clients and are consistent with the new PSEA and the PSC's strategic outcome*

**Partially Met**

**Performance indicator 1** (indicator and target refined to increase measurability): Level of client satisfaction with PSC staffing and assessment services and products

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**Related Resources**

| Resources | Planned Spending | Total Budget Authority | Actual Spending |
|---|---|---|---|
| **Financial ($ thousands)** | 57,509 | 58,834 | 57,398 |
| **FTE** | 595 | N/A | 607 |

**Performance analysis**

The PSC has undertaken an extensive transformation process to become the service provider of choice for the provision of staffing and assessment services and products that meet the needs of delegated managers, employees and Canadians. This approach provides significant economies of scale and is consistent with the PSEA and the PSC's strategic outcome.

In 2007-2008, the PSC received approval from the Treasury Board to expand its use of cost recovery for assessment services. Cost recovery was previously limited to select assessment services offered by the Personnel Psychology Centre. The long-term plan is to seek authority to use cost recovery for most of the PSC's optional services.

**Highlight:**
Client satisfaction for occupational test services exceeded 90%

Over the reporting period, the PSC has strived to offer staffing and assessment services within established service standards. Feedback received through formal presentations and surveys to senior management forums, like the Human Resources Council, SmartShops and consultations, leads us to conclude that managers' needs are being met, particularly for electronic recruitment tools, pools of qualified candidates and support for external recruitment and collective staffing processes. Testing and assessment services met service standards. Overall client satisfaction for occupational test services exceeded 90% for reliability of advice, courteous and professional service, and the availability of service in both official languages.

**Highlight:**
Oral interaction wait times were consistently within service standards

To reduce wait times for the SLE Oral Interaction test, the PSC introduced priority-based service standards in the fall of 2007. The PSC consistently met these new standards towards the end of 2007-2008. As of March 2008, oral interaction wait times were consistently within two weeks for language training and imperative staffing testing purposes, contributing to faster and more efficient staffing of bilingual positions.

The PSC continues to offer products, services and programs which are being used by an increasing number of delegated managers, functional communities and Canadians. This growth in demand is reflective of the relevance and quality of these services:

- the functional communities have indicated that they are attracted to the high quality of candidates obtained through the various recruitment programs and services, the ease of using such programs and how effective they are at meeting their recruitment needs;
- requests for coaching and counselling services offered by Executive Counselling Services increased by 14% and demand for specific developmental services, such as the Identification of Paths to Executive Development (IPEX), continued to grow;

**Related Resources**

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- the functional communities have indicated that they are attracted to the high quality of candidates obtained through the various recruitment programs and services, the ease of using such programs and how effective they are at meeting their recruitment needs;
- requests for coaching and counselling services offered by Executive Counselling Services increased by 14% and demand for specific developmental services, such as the Identification of Paths to Executive Development (IPEX), continued to grow;

- the volume of second language evaluation tests exceeded expectations, rising from approximately 81,500 in 2006-2007 to about 95,000 in 2007-2008; and
- departments and hiring managers used over 230,000 PPC tests, assessments and e-instruments (an increase from 180,000 in 2006-2007) and took advantage of the PSC's largest PSR campaign to help them meet their respective recruitment target set in the context of the Clerk of the Privy Council's Public Service Renewal Initiative.

Furthermore, the PSC offered to managers access to large pools of qualified candidates that came from across Canada. This was possible by expanding the application of the NAOS requirement to include external officer-level positions as per the policy on area of selection.

**What's next?**

- In 2008-2009, the PSC will review and establish service standards for staffing and assessment business lines to include new business lines that will be launched on cost-recovery in 2008-2009. This will assist the PSC and its clients to assess the timeliness and quality of service provided as per the memoranda of understanding that are established.

- Client satisfaction measurement tools to capture essential elements of client satisfaction will be developed and refined. The information will serve to re-position PSC services and products on an ongoing basis to meet the evolving needs of the clients. To capture a more representative share of the client, we will improve survey collection processes.

- We will continue to build upon PSC success in the area of e-testing through investment in innovation and e-testing, in particular, in support of PS Renewal and NAOS. Finally, it will be important to finalize the business requirements for the Public Service Staffing Modernization Project — a comprehensive government-wide initiative led by the PSC to modernize both internal and external staffing.

**The following sub-activities contribute to the achievement of the Program Activity 1.3.0:**

- Information by sub-activity can be found in the electronic version of this document in the publications section on the Public Service Commission of Canada's Web site at (www.psc-cfp.gc.ca).

Staffing Services – developed and delivered staffing services, systems, programs and products to departments and agencies, Canadians and public servants.

Assessment – provided assessment-related products and services for use in staffing, selection and development throughout the federal public service.

## SECTION III – SUPPLEMENTARY INFORMATION

### TABLE 1: COMPARISON OF PLANNED TO ACTUAL SPENDING AND FULL-TIME EQUIVALENTS

| ($ thousands) | Actual 2005-06 (Note 1) | Actual 2006-07 (Note 1) | 2007-2008 Main Estimates | 2007-2008 Planned Spending | 2007-2008 Total Budget Authorities | 2007-2008 Total Actual |
|---|---|---|---|---|---|---|
| **Program Activity 1:** Appointment Integrity and Political Neutrality | 23,771 | 16,538 | 18,580 | 17,051 | 19,684 | 16,993 |
| **Program Activity 2:** Oversight of Integrity of Staffing and Political Neutrality | 21,441 | 23,817 | 29,794 | 28,860 | 32,488 | 28,490 |
| **Program Activity 3**: Staffing Services and Assessment | 58,775 | 58,521 | 54,832 | 57,509 | 58,834 | 57,398 |
| **Total** | **103,987** | **98,876** | **103,206** | **103,420** | **111,006** | **102,881** |
| Less: Non-respendable revenues (Note 2) | 4,795 | 34 | n/a | ___ | n/a | 1,385 |
| Plus: Cost of services received without charge | 16,909 | 16,264 | n/a | 15,311 | n/a | 16,479 |
| **Total PSC spending** | **116,101** | **115,106** | **n/a** | **118,731** | **n/a** | **117,975** |
| **Full-time equivalents** | **932** | **932** | **n/a** | **1,015** | **n/a** | **993** |

**Note 1:** As a result of changes to the Program Activity Architecture, actual expenditures for 2005-2006 and 2006-2007 were realigned to reflect current activities.

**Note 2:** In 2005-2006, the PSC obtained approval to respend the revenues attributable to the Assessment and Counselling Services and Products. This authority however, was not brought into legal effect due to the federal election call and the dissolution of Parliament. Consequently, these revenues are reflected as non-respendable revenues. Since 2006-2007, the PSC has had the authority to respend revenues and these are reflected as part of the Staffing Services and Assessment Program Activity figures. The actual non-respendable revenues for 2006-2007 and 2007-2008 pertain to the miscellaneous revenues.

**TABLE 2: VOTED AND STATUTORY ITEMS**

| Vote or Statutory Item | Truncated Vote or Statutory Wording | 2007-2008 ($ thousands) | | | |
|---|---|---|---|---|---|
| | | Main Estimates | Planned Spending | Total Budget Authorities | Actual |
| 80 | Program expenditures | 90,032 | 90,151 | 98,817 | 90,692 |
| (S) | Contributions to employee benefit plans | 13,174 | 13,269 | 12,189 | 12,189 |
| (S) | Spending of proceeds from the disposal of surplus Crown assets | — | — | — | — |
| | **Total** | **103,206** | **103,420** | **111,006** | **102,881** |

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**TABLE 3: PSC FINANCIAL STATEMENTS**

# PUBLIC SERVICE COMMISSION

## Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements of the Public Service Commission (PSC) for the year ended March 31, 2008 and all information contained in these statements rests with PSC's management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector, and year-end instructions issued by the Office of the Comptroller General.

Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of PSC's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the PSC's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act* and regulations and the *Public Service Employment Act*, are within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the PSC.

Management is also supported and assisted by a program of internal audit services. The PSC has an Internal Audit Committee. The responsibilities of the Committee are to provide the President with independent, objective advice, guidance and deliberation on the adequacy of the PSC's control and accountability processes.

The PSC's financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Maria Barrados, Ph.D.
President, Public Service Commission

Gerry Thom
Senior Financial Officer
Vice-President, Corporate Management

Ottawa, Canada
July 4, 2008

Auditor General of Canada
Vérificatrice générale du Canada

## AUDITOR'S REPORT

To the Speaker of the House of Commons and the Speaker of the Senate

I have audited the statement of financial position of the Public Service Commission as at March 31, 2008 and the statements of operations, equity of Canada and cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations and the *Public Service Employment Act*.

John Wiersema, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 4, 2008

# PUBLIC SERVICE COMMISSION

## Statement of Financial Position

At March 31
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Assets** | | |
| **Financial assets** | | |
| Due from the Consolidated Revenue Fund | 7,464 | 6,562 |
| Accounts receivable and advances (Note 4) | 7,021 | 5,497 |
| | 14,485 | 12,059 |
| **Non-financial assets** | | |
| Prepaid expenses | 363 | 439 |
| Tangible capital assets (Note 5) | 22,287 | 18,740 |
| | 22,650 | 19,179 |
| **Total assets** | **37,135** | **31,238** |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (Note 6) | 7,982 | 7,124 |
| Accrued salary | 3,899 | 3,263 |
| Accrued vacation leave | 3,724 | 3,715 |
| Employee severance benefits (Note 7) | 16,092 | 14,988 |
| | 31,697 | 29,090 |
| **Equity of Canada** | 5,438 | 2,148 |
| **Total liabilities and Equity of Canada** | **37,135** | **31,238** |

Contingent liabilities (Note 8)
Contractual obligations (Note 9)

*The accompanying notes form an integral part of these financial statements.*

Approved by:

Maria Barrados

Maria Barrados, Ph.D.
President, Public Service Commission

Gerry Thom
Senior Financial Officer
Vice-President, Corporate Management

# PUBLIC SERVICE COMMISSION

## Statement of Operations

For the year ended March 31
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Expenses (Notes 10 and 13)** | | |
| **Staffing services and assessment** | | |
| Staffing services | 41,297 | 49,369 |
| Assessment services | 31,472 | 22,361 |
| | 72,769 | 71,730 |
| **Oversight of integrity of staffing and political neutrality** | | |
| Audits, studies and evaluations | 19,335 | 12,270 |
| Investigations and early intervention mechanisms | 9,233 | 10,810 |
| Monitoring | 5,199 | 4,356 |
| | 33,767 | 27,436 |
| **Appointment integrity and political neutrality** | | |
| Policy, regulation and exclusion approval orders | 7,986 | 7,835 |
| Delegated appointment authorities | 6,005 | 5,378 |
| Non-delegated appointment authorities | 5,444 | 5,018 |
| | 19,435 | 18,231 |
| **Total expenses** | **125,971** | **117,397** |
| **Revenues** | | |
| Assessment and counselling services and products | 10,752 | 6,511 |
| **Activities on behalf of:** | | |
| Canada School of Public Service | 119 | 333 |
| Canada Public Service Agency | 325 | 341 |
| | 444 | 674 |
| Less: Costs recovered | (444) | (674) |
| **Net cost of operations** | **115,219** | **110,886** |

*The accompanying notes form an integral part of these financial statements.*

# PUBLIC SERVICE COMMISSION

## Statement of Equity of Canada

For the year ended March 31
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Equity of Canada, beginning of year** | 2,148 | (2,610) |
| Net cost of operations | (115,219) | (110,886) |
| Net cash provided by Government of Canada | 101,128 | 103,347 |
| Change in Due from the Consolidated Revenue Fund | 902 | (3,967) |
| Services received without charge from other government departments and agencies (Note 12) | 16,479 | 16,264 |
| **Equity of Canada, end of year** | **5,438** | **2,148** |

*The accompanying notes form an integral part of these financial statements.*

# PUBLIC SERVICE COMMISSION

## Statement of Cash Flow

For the year ended March 31
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| **Operating activities (Note 13)** | | |
| Cash received from: | | |
| Assessment and counselling services and products | 8,787 | 5,278 |
| Cash paid for: | | |
| Salaries and employee benefits | 80,785 | 79,603 |
| Professional and special services | 12,651 | 10,835 |
| Transportation and telecommunications | 3,939 | 3,973 |
| Informatics, office equipment, furniture and fixtures | 1,678 | 2,218 |
| Repair and maintenance | 1,102 | 1,738 |
| Rentals | 1,015 | 1,386 |
| Printing and publications services | 686 | 562 |
| Utilities, materials and supplies, and other payments | 570 | 670 |
| | 102,426 | 100,985 |
| **Cash used by operating activities** | 93,639 | 95,707 |
| **Capital investment activities** | | |
| Acquisitions of tangible capital assets | 7,489 | 7,642 |
| Proceeds from disposal of tangible capital assets | - | (2) |
| **Cash used by capital investment activities** | 7,489 | 7,640 |
| **Net cash provided by Government of Canada** | **101,128** | **103,347** |

*The accompanying notes form an integral part of these financial statements.*

# PUBLIC SERVICE COMMISSION

**Notes to the Financial Statements**

For the year ended March 31, 2008

## 1. Authority and objectives

The Public Service Commission (PSC) of Canada is an independent agency established under the *Public Service Employment Act* (PSEA) and listed in schedules 1.1 and IV of the *Financial Administration Act* (FAA). The PSC is dedicated to building a public service that strives for excellence by protecting merit, non-partisanship, representativeness of Canadian society and the use of both official languages. This responsibility is performed in the best interests of the public service as part of Canada's governance system, by administering and applying the provisions of the PSEA and by carrying out responsibilities as provided for in the *Employment Equity Act* and the *Official Languages Act*. The new PSEA came into force in December 2005. This legislation emphasizes the PSC's accountability to Parliament and delegates staffing authority to deputy heads who in turn are accountable to the PSC for exercising this power. The Commission also carries out audits and investigations and administers measures under the new PSEA regarding political activities of public servants.

The PSC, from its offices in Ottawa and its seven regional offices, offers recruitment services that allow talented Canadians, drawn from across the country, to join the public service and continually renews staffing services to meet the needs of a modern and innovative public service. The PSC has three program activities that contribute to the achievement of its objectives:

The **Appointment Integrity and Political Neutrality** activity develops and maintains a policy and regulatory framework for safeguarding the integrity of public service staffing and ensuring political neutrality. This activity includes establishing policies and standards, providing advice, interpretation and guidance and administering delegated and non-delegated appointment authorities.

The **Oversight of Integrity of Staffing and Political Neutrality** activity provides an accountability regime for the implementation of the appointment policy and regulatory framework for safeguarding the integrity of public service staffing and ensuring political neutrality. This activity includes monitoring departments' and agencies' compliance with legislative requirements, conducting audits, studies and evaluations, carrying out investigations, and reporting to Parliament on the integrity of public service staffing.

The **Staffing Services and Assessment** activity develops and maintains systems that link Canadians and public servants seeking employment opportunities in the federal public service with hiring departments and agencies. It provides assessment-related products and services in the form of research and development, consultation, assessment operations and counselling for use in recruitment, selection and development throughout the federal public service. This activity also includes delivering staffing services, programs and products to departments and agencies, to Canadians and public servants, through client service units located across Canada.

## 2. Summary of significant accounting policies

(a) **Basis of presentation**

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector, and year-end instructions issued by the Office of the Comptroller General.

(b) **Parliamentary appropriations**

The PSC is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the PSC do not parallel financial reporting according to Canadian generally accepted accounting principles for the public sector since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(c) **Due from the Consolidated Revenue Fund**

The PSC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the PSC is deposited to the CRF and all cash disbursements made by the PSC are paid from the CRF. Due from the CRF represents amounts of cash that the PSC is entitled to draw from the CRF, without further appropriations, in order to discharge its liabilities. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(d) **Accounts receivable**

Accounts receivable are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(e) **Tangible capital assets**

All tangible capital assets and leasehold improvements having an initial cost of $5,000 or more are recorded as capital assets at their acquisition cost. Similar items under $5,000 are expensed in the Statement of Operations. The PSC does not capitalize intangibles. The cost of assets under development by the PSC includes material, direct labour and related overhead. Amounts included in assets under development are transferred to the appropriate class of asset upon completion, and are then amortized. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

| Asset class | Amortization period |
|---|---|
| Office equipment | 3 and 10 years |
| Informatics hardware and infrastructure | 4 and 5 years |
| Computer software | 3 years |
| In-house developed software | 3 to 10 years |
| Furniture and fixtures | 15 years |
| Vehicles | 6 years |
| Leasehold improvements | Lesser of 10 years or term of lease |

(f) **Salaries and benefits, and vacation leave**

Salaries and benefits, and vacation leave are expensed as the salary benefits accrue to employees under their respective terms of employment. The employee salaries and benefits liability is calculated based on the respective terms of employment using the employees' salary levels at year end, and the number of days remaining unpaid at the end of the year. The liability for vacation leave is calculated at the salary levels in effect at March 31st for all unused vacation leave benefits accruing to employees. Employee vacation pay liabilities payable on cessation of employment represent obligations of the PSC that are normally funded through future years' appropriations.

(g) **Employee future benefits**

i. **Pension benefits**
The PSC's eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The PSC's contributions to the Plan are charged to expenses in the year incurred and represent the total pension obligation of the PSC. The PSC is not required under current legislation to make contributions with respect to any actuarial deficiencies of the Plan.

ii. **Severance benefits**
Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(h) **Revenues**

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues. Revenues that have been received but not yet earned are presented as deferred revenues.

(i) **Services received without charge**

Services received without charge from other federal government departments and agencies are recorded as operating expenses at their estimated cost. A corresponding amount is reported directly in the Statement of Equity of Canada.

(j) **Measurement uncertainty**

The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the estimated useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

## 3. Parliamentary appropriations

The PSC receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the PSC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used:

| | (in thousands of dollars) | |
|---|---|---|
| | **2008** | **2007** |
| **Net cost of operations** | 115,219 | 110,886 |
| **Adjustments for items affecting net cost of operations but not affecting appropriations:** | | |
| Services received without charge | (16,479) | (16,264) |
| Amortization of tangible capital assets | (3,924) | (3,416) |
| Revenue not available for spending | 1,385 | 34 |
| Employee severance benefits | (1,104) | (116) |
| Vacation leave | (9) | 34 |
| Other | 380 | 272 |
| | 95,468 | 91,430 |
| **Adjustments for items not affecting net cost of operations but affecting appropriations:** | | |
| Acquisitions of tangible capital assets | 7,489 | 7,642 |
| Prepaid expenses | (76) | (196) |
| | 7,413 | 7,446 |
| **Current year appropriations used** | **102,881** | **98,876** |

(b) Appropriations provided and used:

| | (in thousands of dollars) | |
|---|---|---|
| | **2008** | **2007** |
| **Parliamentary appropriations provided:** | | |
| Voted - Operating expenditures | 98,817 | 96,448 |
| Statutory contributions to employee benefit plans | 12,189 | 11,370 |
| Spending of proceeds from disposal of surplus assets | - | 2 |
| | 111,006 | 107,820 |
| Less: Lapsed appropriations - operating expenditures [1] | (8,125) | (8,944) |
| **Current year appropriations used** | **102,881** | **98,876** |

[1] The lapse in 2007-2008 is mainly due to staffing delays resulting from staff turnover, contract delays, the lapse in Devinat funding which is used for translation of appeal cases which is no longer a PSC program, the lapse related to the authority granted to the PSC to increase vote netted revenues by $3,500,000 in 2007-2008, and the re-profiling of funds to complete the Project Definition work for the Public Service Staffing Modernization Project. In total $4,770,000 was carried forward to 2008-2009.

(c) Reconciliation of net cash provided by Government to current year appropriations used:

| | (in thousands of dollars) | |
|---|---|---|
| | **2008** | **2007** |
| **Net cash provided by Government** | 101,128 | 103,347 |
| Revenue not available for spending | 1,385 | 34 |
| Variation in accounts payable, accrued liabilities and accrued salary | 1,494 | (958) |
| Variation in accounts receivable and advances | (1,524) | (3,362) |
| Other adjustments | 398 | (185) |
| **Current year appropriations used** | **102,881** | **98,876** |

## 4. Accounts receivable and advances

(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| Receivables - Federal Government departments, agencies and Crown corporations | 7,005 | 5,479 |
| Receivables - External parties | 8 | 12 |
| Advances to PSC's Employees | 8 | 6 |
| **Total** | **7,021** | **5,497** |

## 5. Tangible capital assets

(in thousands of dollars)

| | Cost | | | | | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| | March 31, 2007 | Acquisitions | Disposals, write-offs | Transfers | March 31, 2008 | Net book value | Net book value |
| Office equipment | 743 | 32 | 96 | - | 679 | 319 | 350 |
| Informatics hardware and infrastructure | 8,412 | 165 | 1,257 | 480 | 7,800 | 2,519 | 2,891 |
| In-house developed software | 15,355 | 527 | - | 752 | 16,634 | 8,771 | 10,263 |
| Furniture and fixtures | 770 | 89 | 37 | - | 822 | 628 | 579 |
| Vehicles | 25 | - | - | - | 25 | 8 | 12 |
| Leasehold improvements | 340 | 349 | - | 364 | 1,053 | 869 | 203 |
| Assets under development | 4,442 | 6,327 | - | (1,596) | 9,173 | 9,173 | 4,442 |
| **Total** | **30,087** | **7,489** | **1,390** | **-** | **36,186** | **22,287** | **18,740** |

(in thousands of dollars)

| | 2008 | | | |
|---|---|---|---|---|
| | Accumulated amortization | | | |
| | March 31, 2007 | Amortization | Disposals, write-offs | March 31, 2008 |
| Office equipment | 393 | 50 | 83 | 360 |
| Informatics hardware and infrastructure | 5,521 | 1,016 | 1,256 | 5,281 |
| In-house developed software | 5,092 | 2,771 | - | 7,863 |
| Furniture and fixtures | 191 | 36 | 33 | 194 |
| Vehicles | 13 | 4 | - | 17 |
| Leasehold improvements | 137 | 47 | - | 184 |
| **Total** | **11,347** | **3,924** | **1,372** | **13,899** |

Amortization expense for the year ended March 31, 2008 is $3,924,000 ($3,416,000 in 2006-2007).

## 6. Accounts payable and accrued liabilities

(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| Payables - Federal Government departments, agencies and Crown corporations | 2,030 | 1,957 |
| Payables - External parties | 5,952 | 5,167 |
| **Total** | **7,982** | **7,124** |

## 7. Employee benefits

(a) Pension benefits

The PSC eligible employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada and Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the PSC contribute to the cost of the Plan. The 2007-2008 expense amounts to $8,887,000 ($8,379,000 in 2006-2007), which represents approximately 2.1 times the employees' contributions.

The PSC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Employee severance benefits

The PSC provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

| | (in thousands of dollars) | |
|---|---|---|
| | **2008** | **2007** |
| Accrued benefit obligation, beginning of year | 14,988 | 14,872 |
| Expense for the year | 2,977 | 2,067 |
| Benefits paid during the year | (1,873) | (1,951) |
| **Accrued benefit obligation, end of year** | **16,092** | **14,988** |

## 8. Contingent liabilities

Claims have been made against the PSC in the normal course of operations. Legal proceedings for claims totalling $315,000 were still pending at March 31, 2008 ($395,000 at March 31, 2007). Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements. In the opinion of management, the outcome of these suits is not determinable at this time.

## 9. Contractual obligations

The nature of the PSC's activities can result in some large multi-year obligations whereby the PSC will be obligated to make future payments when the services are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)

| | 2009 | 2010 | 2011 | 2012 and thereafter | Total |
|---|---|---|---|---|---|
| Service contracts | 2,607 | 176 | - | - | **2,783** |
| Operating leases | 164 | 95 | 70 | 5 | **334** |
| **Total** | **2,771** | **271** | **70** | **5** | **3,117** |

## 10. Expenses by major classification

(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| Salaries and employee benefits | 89,020 | 83,278 |
| Professional and special services | 13,770 | 10,828 |
| Accommodation | 10,111 | 10,032 |
| Transportation and telecommunications | 3,969 | 3,799 |
| Amortization of tangible capital assets | 3,924 | 3,416 |
| Informatics, office equipment, furniture and fixtures | 1,669 | 2,549 |
| Repair and maintenance | 1,276 | 1,660 |
| Rentals | 1,010 | 1,261 |
| Printing and publications services | 632 | 650 |
| Utilities, materials and supplies, and other | 590 | 424 |
| Adjustment to the provision for contingent liabilities | - | (500) |
| **Total** | **125,971** | **117,397** |

## 11. Related party transactions

The PSC is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The PSC enters into transactions with these entities in the normal course of business and on normal trade terms.

During 2007-2008, the PSC incurred expenses of $34,334,000 ($34,208,000 in 2006-2007) and earned revenues of $10,750,000 ($6,496,000 in 2006-2007) from transactions in the normal course of business with other federal government departments, agencies and Crown Corporations. These expenses include services received without charge as described in Note 12.

## 12. Services received without charge

During the year, the PSC received services that were obtained without charge from other government departments and agencies. These services without charge have been recognized in the PSC's Statement of Operations as follows:

| | (in thousands of dollars) | |
|---|---|---|
| | **2008** | **2007** |
| Public Works and Government Services Canada - accommodation | 10,111 | 10,032 |
| Treasury Board Secretariat - employer's share of insurance premiums | 5,175 | 5,522 |
| Justice Canada - legal services | 919 | 440 |
| Office of the Auditor General of Canada - audit services | 141 | 134 |
| Human Resources and Social Development Canada - employer's portion of Worker's compensation payments | 133 | 136 |
| **Total** | **16,479** | **16,264** |

## 13. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

Supplementary information on the following tables can be found on the Treasury Board of Canada Secretariat's Web site at http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp.

- Source of respendable and non-respendable revenues
- User fees / External fees
- Details on project spending
- Response to Parliamentary Committees, the Auditor General and to the Public Service Commission on External Audits
- Internal Audits and Evaluations
- Travel policies

- Supplementary information on the following subjects can be found in the publications section of the PSC's Web site at www.psc-cfp.gc.ca.

- Organizational information
- Information by priorities
- Information by sub-activities
- Management priority

This document is available on the Treasury Board of Secretariat's Web site at http://www.tbs-sct.gc.ca and on the publications section of the PSC's Web site at www.psc-cfp.gc.ca.